

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board	)	
On Universal Service	)	CC Docket No. 96-45
	)	
RCC Holdings, Inc.	)	
Petition for Designation as an	)	
Eligible Telecommunications Carrier	)	DA 02-746
Throughout its Licensed Service Area	)	
In the State of Alabama	)	

**COMMENTS OF  
THE ALABAMA PUBLIC SERVICE COMMISSION**

The Alabama Public Service Commission (APSC) respectfully submits this response to the Petition for Designation as an Eligible Telecommunications Carrier (“ETC”) by RCC Holdings, Inc. (“RCC”) throughout its licensed service area in the State of Alabama in accordance with the Commission’s Public Notice released April 2, 2002, DA 02-746. While the APSC does not have regulatory authority over CMRS providers in Alabama, we are concerned that the public interest standard required for ETC designation in the service territory of a rural company be thoroughly investigated by the FCC in this proceeding. RCC’s petition for ETC designation is the first such petition that has been filed for any rural service areas in Alabama. This petition affects the service areas of thirteen rural telephone companies and two non-rural companies in Alabama. The rural companies’ service areas which RCC proposes to serve encompasses approximately 82,600 existing access lines which will generate projected high cost

universal service funding for 2002 of approximately \$5,249,000.<sup>1</sup> These calculations do not include the access lines or present USF funding that is related to the non-rural companies' service areas for which RCC also seeks ETC status.

The FCC's cost proxy model that was developed and used to determine universal service funding for the non-rural telephone companies clearly demonstrates how the telephone subscriber's in Alabama are widely dispersed throughout the state resulting in much higher costs to serve than in many other areas. The model showed that people in the western states tended to live in clusters in spite of the fact that these states have many remote areas. Thus the cost to serve customers in the western states is often lower than in a state like Alabama.

The rural companies included in this proceeding are small companies serving very rural environments. Seven of the rural companies in whose territories RCC seeks to gain ETC status have access line counts ranging from a low of 1,871 to a high of 5,427 with most of the companies having approximately 2,500 total lines. The remaining six companies have between 7,000 and 17,000 access lines. The access lines of these companies are primarily residential with very few business lines. These companies rely heavily on the universal service support they receive to provide quality service at affordable rates to the customers within their service areas. All of these companies would have to raise their rates or provide a lower quality of service if they lose any of their funding. Thus the customers of these rural companies could be adversely impacted by approving ETC status for RCC.

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<sup>1</sup> Information obtained from NECA's October 1, 2001, filing with the FCC of the Universal Service Fund 2001 Submission of 2000 Study Results (Tab 8 – Universal Service Fund 2002 Comparison Rural Support, Current Rules column.)

The APSC supports competitive telecommunication choices for all the consumers in Alabama that can be provided without diminishing their current services and choices. The copy of the petition we reviewed did not have a map attached, therefore, we could not determine RCC's current deployment of wireless facilities and the percentage of its licensed areas or the rural ILECs licensed areas RCC presently serves. We agree with the FCC's determination in its Declaratory Ruling in Docket No. 96-45 that requiring a new entrant to provide service throughout a service area prior to designation as an ETC has the effect of prohibiting the ability of the prospective entrants from providing telecommunication services and would deprive the consumers in high-cost areas of the benefits of competition.<sup>2</sup> We also believe, however, that it is important to determine if the new entrant is fulfilling or attempting to fulfill its present obligations in relationship to the wireless licenses it presently holds. The APSC does not presently regulate CMRS providers but has had authority in the past to address consumer related issues. Many of the complaints the Commission received were related to the lack of coverage in rural areas. The lack of coverage in rural areas also raises serious concerns whether RCC presently has, or will acquire, the ability in a timely manner to provide access to emergency services in all of its rural service territories.

It is not clear from its filing if RCC intends to provide for recovery of the state component portion of the program and provide the maximum support for the eligible consumers. The Alabama Commission has required its rural and non-rural carriers to provide Lifeline and Link-up services to the eligible low-income customers located in their service territories. The \$3.50 state component has been funded without a local rate

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<sup>2</sup> *Federal-State Joint Board on Universal Service: Western Wireless Corporation Petition for preemption of an Order Of the South Dakota Public Service Commission, Declaratory Ruling, CC Docket 96-45,*

additive. RCC indicates in its filing that it will provide the Lifeline and Linkup services but it does not indicate if it will provide only the federally supported amount or the full amount currently available to the customer through the existing carriers programs.

RCC states in its Petition that; “The Company intends to obtain high cost loop support funding in order to speed the delivery of advanced wireless services to Alabama’s citizens.”<sup>3</sup> While the APSC appreciates RCC’s desire to provide advanced wireless services in Alabama, RCC can not fund the provision of advanced services with high cost universal services funds. Advanced services are not included in the nine core services and functionalities identified by the FCC to be provided or funded through the universal service program.

The FCC indicated in previous orders on ETC designations that the concerns of competitors targeting only customers in lower cost areas and thus undercutting the incumbents ability to provide service to high cost customers has been addressed by allowing rural carriers to take the option of disaggregating and targeting high-cost support below the study area level. We would note that this is the first time these companies have had the ability or requirement to make this determination. The APSC has just recently started to receive the certification letters from the rural companies regarding their disaggregation elections. We are not certain these determinations made by the companies will in fact achieve the results expected by the FCC and very small companies will have a hard time disaggregating their service areas.

Alabama is a net recipient of Universal Service Funds and fully appreciates the necessity and importance of this funding in providing access to telecommunication

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<sup>3</sup> *Petition for Designation as an Eligible Telecommunications Carrier in the State of Alabama* pg. 1

services to the consumers in rural high cost areas at affordable rates. However, we realize that these funds cost all subscribers of telephone services through the assessments on their bills. The APSC shares the concerns expressed by Commissioner Kevin Martin in his statement in the order on Reconsideration in the ETC decision in the State of Wyoming<sup>4</sup>:

“As I have expressed elsewhere, I have concerns with the Commission’s policy of using universal service support as a means of creating “competition” in high cost areas. I am hesitant to subsidize multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. This policy may make it difficult for any one carrier to achieve the economies of scale necessary to serve all customers in a rural area, leading to inefficient and/or stranded investment and a ballooning of the universal service fund”

The Act states in §254 (b)(3) that Consumers in all regions of the Nation, including low-income consumers and those in rural, insular and high cost areas, should have access to telecommunications and information services. The APSC does not believe, however, that Congress intended to subsidize multiple lines of different technologies used by the same subscriber when it provided for funding for universal access to telecommunication services. RCC will receive universal service funding based on the cost of the existing wireline carrier. The rural lines addressed by this petition are high cost lines. Funding a second line is neither economical or in the spirit of the 1996 Act. The demands on the universal service fund have grown substantially since the 1996 Act. The fund size can not continue to increase unnecessarily.

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<sup>4</sup> *Federal-State Joint Board on Universal Service: Petition for Reconsideration of Western Wireless Corporation’s Designation as an Eligible Telecommunications Carrier in the State Of Wyoming: Order on Reconsideration*, CC Docket 96-45, FCC 01-311, released October 19, 2001.

In conclusion, the APSC encourages the FCC to closely scrutinize the public interest concerns of granting ETC status to RCC in the rural companies' service territories in Alabama. We are concerned that funding second lines to the same subscriber in these rural high cost areas doubles the current subsidized cost of serving that customer and negatively affects those consumers who must pay to support the fund. The disaggregation of the rural company's service areas is a new program and we can not be certain it will have the desired effect of limiting the possibility of cream skimming in the rural areas. The APSC appreciates the opportunity to raise its immediate concerns with the petition. However, our comments are somewhat limited by our lack of information on RCC's existing facilities deployment in Alabama.

Respectfully submitted:  
Alabama Public Service Commission

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